federal register

THURSDAY, MARCH 31, 1977

PART II

INTERSTATE COMMERCE COMMISSION

■

NEW JERSEY

Five Light Density Lines; Evaluation of Economic Viability

INTERSTATE COMMERCE COMMISSION

Rail Services Planning Office

NEW JERSEY

Five Light-Density Lines; Evaluation of Economic Viability

The Rail Services Planning Office of the Interstate Commerce Commission is publishing herewith the results of evaluations of five light-density lines in New Jersey. These evaluations were performed at the request of the State of New Jersey, made pursuant to section 205(e)(2) of the Regional Rail Reorganization Act of 1973, as amended, 45 U.S.C. 701.

ROBERT L. OSWALD,
Secretary.

PREFACE

On March 24, 1976, the State of New Jersey exercised its right under section 205(e)(2) of the Regional Rail Reorganization Act of 1973, as amended, requesting that the Rail Services Planning Office of the Interstate Commerce Commission evaluate the economic viability of five light-density lines within the State of New Jersey. These lines were excluded from the restructured rail system which resulted from the implementation of the Final System Plan of the United States Railway Association. Since the State of New Jersey made its request, the Office has conducted a comprehensive study of each of the five lines. The findings which have resulted from that study are contained in this report.

Many individuals and organizations went to considerable trouble to develop relevant facts and estimates necessary for the completion of this work. We are grateful to them all and wish that we could mention every one by name. We do want to express special appreciation to Douglas Webb, William Herkner, Kenneth Kyte and Roman Horodysky of the New Jersey Department of Transportation. The various Federal agencies and departments involved in the restructuring process also supplied useful information and technical assistance to the study. Finally, a word of appreciation is in order to the hundreds of New Jersey rail patrons and business leaders who gave generously of their time and whose patience and understanding during the field investigations by the RSPO Project Teams helped to make this report possible.

None of the individuals or organizations which assisted in the course of the study shares any of the responsibility for the findings here reported; however, it should be noted that a large amount of the material on which our findings are based was furnished to us by various individuals and organizations. We expect that there might be honest differences of opinion as to the correctness of our approach, our methodology, our data and our recommendations. In spite of these differences, we believe that our report will be useful to the State of New Jersey and its rail patrons.

It should also be noted that this is a staff report of the Rail Services Planning Office. It has not been officially adopted by the Interstate Commerce Commission and does not necessarily represent the Commission's viewpoint.

ALAN M. FITZWATER,
Director,
Rail Services Planning Office.

INTRODUCTION

The issuance of the Final System Plan by the United States Railway Association in July, 1975, represented the final step in the planning process to restructure the bankrupt railroads of the Northeast-Midwest region into a profitable new system. Of all the issues raised during the restructuring process, none aroused more widespread public interest and debate than the issue of light-density lines. It is not surprising that this issue generated such controversy, since the economic future of many of the communities and businesses served by such lines was in jeopardy. Close to 500 light-density lines were classified by the Final System Plan as not recommended for inclusion in ConRail;[1] in other words, unless provision was made for the operation of these lines pursuant to a subsidy agreement, rail service over them was to cease April 1, 1976. Many of the excluded lines are presently being operated under subsidy; others are no longer in operation.

Throughout the planning period leading up to the adoption of the Final System Plan, there was consistent public opposition to the exclusion of light-density lines from the restructured system. The public response to both the Preliminary and Final System Plans was highly critical of the method by which USRA determined which light-density lines were to be included in the restructured system. The primary criticisms were: that the approach of USRA was too negative; that its methodology was too dependent upon hypothetical conditions and statistical application of incomplete data;[2] that it placed too much reliance on an inaccurate and/or inadequate data base; that it failed to conduct on-site examination of local rail service operations; and that it used profit as a measure of viability almost to the exclusion of other Congressional goals.[3]

In response to the widespread public criticism of USRA's methodology, Congress enacted a provision whereby any State in the Northeast-Midwest region could request the RSPO to evaluate the economic viability of any light-density line in that State excluded from the restructured system. That provision, section 205(e)(2) of the Regional Rail Reorganization Act of 1973, as amended, gives RSPO the following duty.

> Upon the request of a State in the region, within 90 days after the date of enactment of the Railroad Revitalization and Regulatory Reform Act of 1976, the Office shall prepare and publish an evaluation of the economic viability of any or all light-density lines within such State which are not designated for inclusion in the final system plan. Such an evaluation shall include an analysis of the actions which may be necessary to make the operation of rail service over any such line economical. The results of each such evaluation shall be transmitted to the requesting State and published in the FEDERAL REGISTER, not later than 1 year after the date such request is received by the Office.[4]

The States of Indiana, Maryland, New Jersey and Pennsylvania filed requests pursuant to this provision. This report summarizes the results of the evaluations which were performed on those lines included in the request of the State of New Jersey.

EXCLUDED LIGHT-DENSITY LINE STUDY PROCEDURE

STUDY PROCESS AND DATA

After considering the various alternative approaches, the Office decided to conduct an analysis based on a survey of the excluded branch lines and affected communities. The case study approach, including extensive field research, was selected because the Office concluded that such a technique would provide a better understanding and appreciation of economic viability.[5] The approach also makes possible discovery of various available alternatives through on-site

---

[1] The following abbreviations are used throughout this report: "ConRail" refers to the Consolidated Rail Corporation; "Final System Plan" or "FSP" refers to the Final System Plan of USRA; "ICC" or "the Commission" refers to the Interstate Commerce Commission; "Preliminary System Plan" or "PSP" refers to the Preliminary System Plan of USRA; "RRR Act" or "Act" refers to the Regional Rail Reorganization Act of 1973, as amended; "RRRR Act" or "4R Act" refers to the Railroad Revitalization and Regulatory Reform Act of 1976; "RSPO" or "the Office" refers to the Rail Services Planning Office of the Interstate Commerce Commission; "SMSA" refers to Standard Metropolitan Statistical Area; and "USRA" or "the Association" refers to the United States Railway Association.

[2] It should be noted that factual evidence to support the validity of claims about light-density lines is not readily available and is often fragmented, contradictory and unreliable, making it difficult to validate any model or statistic.

[3] Rail Services Planning Office, Evaluation of the U.S. Railway Association's Preliminary System Plan (Washington: Interstate Commerce Commission, April 28, 1975), pp. 14–16.

[4] 90 Stat. 57 (1976).

[5] The advantages of performing the analysis of light-density lines through extensive field research include: (1) the data are of a higher degree of accuracy; (2) the analyst has the opportunity to insure that information is in balance and internally consistent, i.e., he is able to avoid imputing magnitudes and forcing or stretching the data by a variety of techniques normally necessary when using a "selected" sample. The use of quantitative methods, far from being incompatible with the case-study method, is occasionally essential to it. Nevertheless, it is true that many fundamental phases of a case study are nonquantitative—phases such as the analyses of the rail infrastructure, for example. In these the data must be assembled and analyzed, the relationships discovered and described, and the conclusions presented, in non-statistical form. No attempt has been made to cloak this study in quantitative model mysticism. A straight forward analytical approach has been used, based on the best data made available to RSPO.

inspection of railroad properties and operations. Extensive and in-depth personal interviews with those parties most affected by the problems resulting from exclusion of branch lines, allows for thorough examination of the concerns and objections that have been voiced on the light-density line issue.

The study of the RSPO was divided into three phases: data collection and literature search; extensive field research and analysis of data; and drafting of the final report, including development of recommendations.

The research was divided into the following five categories:

(1) An extensive literature search was undertaken, including a review of the USRA's light-density line analysis approach; numerous interviews were conducted with civic associations and business and government officials to gather pertinent information.

(2) Business and Government entities were asked to offer their comments and views.

(3) Frequent staff meetings were held with State agencies and officials connected with the project.

(4) An excluded rail line questionnaire was developed and field tested for the collection of information concerning each line's characteristics; operational, physical, patron and traffic.

(5) On-site inspections and in-depth interviews were conducted by multi-discipline research teams; these teams consisted of a cost analyst, an economic/marketing analyst and a railroad operations analyst.

LIMITATIONS

Certain limitations must be recognized as inherent in the very nature of this type of an undertaking.[6] The scope of the project is defined by statute, and certain examinations by other governmental agencies have already preceded this study. Therefore, the purpose of the study is not to redefine problems or reestablish issues but to perform the mandatory evaluation and to produce recommendations as to what is necessary to make operation of rail services over the studied lines economical.

[6] It was not possible, within the scope of the present study, to make a complete analysis of the total environment in which the light-density lines operate because there was not enough time; some of the data needed is unavailable; the cost greatly exceeded the benefit; and there were certain legal restraints. It was necessary, therefore, to limit the scope of the study and to leave other issues for later study and appraisal by the individual States. For example, the RSPO did not attempt to make any assessment of adverse community impacts nor to undertake a detailed study of those individual industries which are located on the excluded light-density lines. Further study would be needed, at a much greater degree of specificity than was possible in the current study, to estimate service and price elasticities of demand for rail transportation by commodity class or by changes in intermodal competitive attitudes. The present study is designed to develop relevant facts and make recommendations that ultimately must be transformed into actions by those most vitally concerned with their execution. This Report does not make recommendations as to whether an individual light-density line should or should not be subsidized. It does make a series of recommendations which provide the information necessary to make operation of rail service over the studied lines economical.

There are a number of reasons the development of information for the different lines was uneven, and, therefore, the individual studies of the lines themselves will vary considerably in depth and length. Moreover, it was not possible in generating line data to develop cause and effect relationships among such things as service declines, deferred maintenance, increased cost and rate levels, individual economic and distribution changes and traffic losses. In addition, it was extremely difficult to estimate future traffic levels because of prevailing conditions and the inability to conduct an individual industry analysis.[7] Consequently, estimates of both future traffic and cost levels for individual excluded lines were developed largely from both empirical evidence and extrapolations. Unfortunately, historical cost data on these particular lines are not an accurate measure of future avoidable costs.

An attempt to develop reasonably accurate estimates of the economic viability of immediate areas served by excluded lines was thwarted somewhat by the aggregation levels of statistical data. Thus, the bulk of the information dealing with the economic structure of the areas served by the individual lines is based upon county and regional data. While the data contains much that is relevant and useful, the reader is well advised to consider that the application of such macro-data to individual line segments could possibly produce inaccurate conclusions.

Even after the most comprehensive and exhaustive examination, some significant factors may still remain undiscovered. This means that somewhat less than absolute validity must be attached to the "facts" assembled in such a fluid atmosphere. The implication as to the need for caution in interpreting the assembled data is clear.

[7] The RSPO Staff concluded that no single econometric model could be utilized to accurately reproduce the unique conditions on the individual light-density lines requested for study. Not only would the development of such a model be extremely time consuming and expensive, even assuming the needed data were available, but many of the relationships would necessarily remain judgmental, impressionistic or arbitrary. Also, a series of "single situations would not lend themselves to experimental procedures. Several approaches were examined; for example, establishment of control conditions which could be used to test the viability of one light-density line against another. Comparison of particular aspects of other light-density lines now in existence and profitable was examined, but because of the multiplicity of variant factors—size; geographic distribution; historical development; industry characteristics and mix; time variance; traffic and distribution flow patterns, etc.—this approach was found insufficient for use in this analysis. There appears to be no abstract standard of composition or structure of size or functional efficiency by which a light-density line's viability may be measured; moreover, comparative standards have not been developed with any degree of accuracy which would permit comparison to the unique situations presented by the studied lines.

USRA LIGHT-DENSITY LINE ANALYSIS

Essential to a basic understanding of this report is a familiarity with the general approach adopted by the USRA in the selection of those light-density lines of the bankrupt railroads which were to be included in the restructured system. USRA stated its approach to branch line viability in the following manner in its Final System Plan:

First, lines were isolated which, by the volume of traffic originated or terminated, appeared to be submarginal (see PSP, p. 336). The initial screening process, due to the magnitude of the analytical task, was relatively broad. The definition of what constituted a "line" for study was also imprecise, often following historical definitions which later proved related neither to present economic nor operational boundaries.

Second, the latest data were collected on traffic volumes and revenue levels, future traffic possibilities, current condition of the tracks and facilities, cost of rehabilitation, service characteristics and identification of shippers on each line. Data and information from the hearings conducted by RSPO were identified by line segment, as was information about specific operating problems and shipper concerns which was gained informally during the last one and one-half years (see PSP, p. 336). During the review process a number of lines were subsegmented. Each subsection was further analyzed to determine if the subsection might be self-sustaining even if it appeared that the entire line would not be or if a portion of the line was cross subsidizing the remainder.

Third, each line was analyzed to determine whether revenues generated in 1973 by traffic originating on or destined to the line were sufficient to cover the variable costs directly attributable to that traffic in that year.[8]

Fourth, if a line did cover its variable costs, including adequate maintenance and required upgrading for that year, it was included in the restructured system.

Fifth, if the branch line failed this test, an analysis was conducted to determine if (it could cover its variable costs) either by a modest rate increase (10 percent or less) or with an expected immediate traffic increase. If this was found to be the case, the line was included in the restructured system.

Sixth, if the line did not cover such costs, even with reasonable rate increases and expected traffic growth, a review was conducted to determine whether the line had connections to other carriers. Where such potential exist(ed), the connecting carrier was provided the data and information necessary to assess the line's potential viability.

[8] The USRA based its light-density line economic viability analysis on the carrier's 1973 traffic, revenue and unit costs and assumed efficient operations. The basic steps were as follows:

1. Establish *total* branch line-generated revenue.

2. Then subtract in the following order these cost items:

a. On-branch operating costs;
b. On-branch maintenance costs;
c. On-branch return on net salvage value;
d. On-branch overhead costs;
e. Off-branch operating costs; and
f. Up-grading costs.

See: United States Railway Association, Preliminary System Plan: Volume II (Washington: United States Railway Association, February 26, 1975), p. 337.

Seventh, if a line met none of the first five criteria, it was recommended as a candidate either for abandonment or subsidy. * * *[9]

Accordingly for a line to be included in the restructured system, it had to be one that:

(Was) capable of generating sufficient revenue to cover approximately 90 percent of the costs incurred on the light-density line itself as well as the variable costs of moving that branch-line-generated traffic over other lines to its destination and interchange with another rail carrier;

While not currently self-sustaining, (could) be made viable by reasonable rate adjustments (10 percent or less); or

While not currently self-sustaining, (would) be made so because of identifiable traffic growth in the near future.[10]

In making its individual determination of branch line self-sufficiency, the USRA stated that the key questions were:

What are the costs of continuing service? Will there be sufficient line-generated revenue to cover these costs? What is the near-term traffic growth potential of the lines? Are there recoverable fossil fuel deposits on the line? [11]

Of these key questions, the most important, from an economic viability viewpoint—future prospects for traffic growth—was by far the most difficult to ascertain. The 1973 traffic data used by the USRA in its light-density line analysis represented a single point in time under unique circumstances. Obviously, time changes the circumstances and hence the results. Future projections based upon past trends are only as accurate as the relationship of past trends are to the future circumstances. This relationship was almost impossible for the USRA to predict, especially in light of the structural changes expected to result from implementation of the FSP and the unpredictable reaction of industry and other modes of transportation to those changes. RSPO concluded that the only way to overcome this particular dilemma was to conduct on-site examinations and to consult with local rail patrons and other interested parties, including State agencies, officials, etc., and local governments and former rail patrons. We also concluded that our approach should emphasize local variations and individual situations. These conclusions formed the basis for the procedures adopted by RSPO in the conduct of its investigation of excluded light-density rail lines.

New Jersey's Approach to the Analysis of Light-Density Lines

The State of New Jersey has been involved in the evaluation of rail service for the past 17 years. The passage of the Federal Transportation Act of 1958 and the discontinuance and threat of discontinuance of rail passenger commuter service which developed from that legislation prompted New Jersey to embark in 1960 on a program of rail operating subsidies. The State, which was the pioneer governmental body in the United States in providing such financial support, spent over $145 million in the period 1960–1974.[12] In regard to freight service, the State was active in attempting to aid in the rail rationalization process prior to the enactment of the Regional Rail Reorganization Act of 1973. Illustrative of the State's commitment was the production and publication of a consultant's report published in July, 1973. This report entitled, Coordination and Consolidation of Freight Services in the Northern New Jersey Area, typifies the State's continuing commitment to rail transportation.

Following passage of the Regional Rail Reorganization Act, the Governor of the State of New Jersey, Brendon Byrne, designated the New Jersey Department of Transportation, within the State government of New Jersey, as the agency to prepare and administer the documents mandated under the Act. Since the issuance of the U.S. Secretary of Transportation's Report on Rail Service in the Midwest and Northeast Region, February 1, 1974, the NJ DOT has issued the following reports:

Rail Service in New Jersey as It Is Related to the Provisions of the Regional Rail Reorganization Act of 1973, March 28, 1974.

The New Jersey Plan for Rail Transportation and Local Rail Services, Phase I, May 1, 1975.

New Jersey State Rail Plan for Rail Transportation and Local Rail Services, Phase II, December 9, 1975.

Amendment to the New Jersey State Rail Plan for Rail Transportation and Local Rail Services, Phase II, August 1, 1976.

In the first report, March 28, 1974, New Jersey identified what it considered the major deficiencies of the U.S. Secretary of Transportation's Report and formulated the basis for the development of a state rail plan. The major points addressed in that report were as follows:

The passenger service subsidized by the State of New Jersey is ignored in the Secretary's Report. This service is vital to the State and must be continued. The questions of capacity versus level of service, in this regard, have not been adequately considered.

The modal shifts that would occur if the Secretary's Report is adopted in full have not been adequately analyzed or considered by the United States Department of Transportation. Such shifts, according to our analyses, will have very adverse effects on the economic and environmental future of New Jersey.

The Secretary's Report does not adequately consider the mandates of the Environmental Protection Act of 1970, and subsequent legislation as set forth in the Regional Rail Reorganization Act of 1973.

The Secretary's Report does not recognize the existing energy situation. Any comprehensive analysis must consider such conditions.

The primary criterion used in the Secretary's Report has been short-run profitability. This concept has led to a complete disregard for future planning and development.

The criterion of efficiency adopted in the Secretary's Report ignores the concept of quality of service and the benefits to be realized from such quality.[13]

The deficiencies found and addressed in the initial New Jersey report were coalesced into a set of well-defined goals and objectives to be utilized in the analysis of potentially excess rail lines located within the State. These goals and objectives were expressed initially in the New Jersey Rail Plan Phase I, and are set forth in Table I.

The State also set forth a methodology to be used in the achievement of the goals and objectives. First, the State would seek to identify "efforts necessary to solidify the rail system necessary in the immediate future (i.e., less than 5 years)".[14] Second, at a later date, the State would develop a long-term comprehensive plan for freight transportation within the State.

New Jersey's View of the Subsidy Program

In its December 9, 1975 Report, the State expressed reservations with regard to the "Rail Service Continuation Subsidy Program" contained under Title IV of the RRR Act:

Table 1: Goals and Objectives of the New Jersey State Rail Plan

	Priority Weights
Goal: Provide transportation systems consonant with the environmental well being of New Jersey.	-----
Objective: Minimize the loss of any mode of transport which is more energy efficient than the corresponding substitute mode.	16.54
Objective: Minimize the loss of any mode of transport which is less polluting than the corresponding substitute mode.	14.96
Goal: Provide transportation systems which satisfy the economic growth demand with the State of New Jersey.	-----
Objective: Maintain existing transportation facilities which efficiently serve the industrial and business communities within the state of New Jersey.	19.84
Objective: Implement systems of transportation which satisfy the economic growth patterns and the resulting transportation requirements with the State of New Jersey.	13.06
Objective: Maintain and create passenger transport systems which optimize economic, environmental, comfort and convenience considerations.	14.96
Goal: Provide alternative modes of transportation wherever possible; giving consideration to the economic equity provided to the entire State population.	-----
Objective: Provide planning data and processes which satisfy the Federal requirements necessary to receive Federal-aid capital investment monies.	4.85

[9] United States Railway Association, Final System Plan: Volume II (Washington: United States Railway Association, July 26, 1975), p. 5.

[10] Ibid.

[11] Preliminary System Plan; Volume I, op. cit., p. 103.

[12] New Jersey Department of Transportation, Rail Service in New Jersey as It Is Related to the Provisions of the Regional Rail Reorganization Act of 1973 (Trenton, March 28, 1974), p. 5.

[13] Ibid., p. 1.

[14] New Jersey Department of Transportation, The New Jersey Plan for Rail Transportation and Local Rail Services, Phase I (Trenton, May, 1975), p. 9.

	Priority Weights
Objective: Maintain procedures for public input, so that the monies spent in regionalized areas of the State reflect the desires of the populations concerned.	6.87
Objective: Investigate the existing transportation systems, their operations, and their efficiencies, to determine any deficiencies as compared to a statewide standard for quality service.	-----

Source: New Jersey Plan for Rail Transportation and Local Rail Services, Phase I, May 1975, pp. 5-7, and New Jersey State Rail Plan for Rail Transportation and Local Rail Services, Phase II, December 9, 1976, pp. 6.3-6.4.

This subsidy program is useful as a remedy to the branch line problem, in the respect that it is a relatively inexpensive means of providing a reassessment period for unprofitable lines. There are, however, drawbacks inherent in a program of this type. The most outstanding deficiency of the subsidy scheme is its two-year time limit. It has been stated in the previous section that no means exist for reinclusion, in the final system, of rail lines which were eliminated at the outset, whether or not they are proved to be profitable. Therefore at the end of the subsidy period, the status of such lines would be somewhat less than secure in the absence of subsequent programs. Unless additional sources of funds are generated, the long-term disposition would be either abandonment or some localized operational scheme.

* * * * *

In summary, while a subsidization procedure may be the least expensive and most reliable method of continuing rail service, its value as a solution to the problems of light-density rail service may be questionable. Some of the program's implications tend to classify it as a rather short-term solution. Any inclination to apply such an approach should be tempered with the awareness that its use may serve merely to postpone a larger problem.[15]

As a result of these reservations and in view of the State's position that the impact of local rail freight service discontinuance was relatively minor and restricted to a limited area, the State adopted the following policy regarding local freight service: "The New Jersey Department of Transportation will not employ and maintain, as a long-term strategy, the continued subsidization of rail freight transportation".[16] However, NJ DOT stated that it would make available to local governments and other responsible parties its share of monies allocated under Title IV of the RRR Act.

The State's posture towards passenger service and mandatory through-freight differed markedly from the stated local freight service policy. State participation in the acquisition of rail properties or in the short-term subsidy of rail services, was recommended when any of the following conditions were encountered:

1. Rail properties are presently utilized for rail passenger services which are to be continued by the New Jersey Department of Transportation; or
2. Rail properties are part of plans to provide future rail passenger services within the State of New Jersey; or
3. Rail properties are considered necessary to provide for the movement of commodities from region to region within the State of New Jersey.[17]

However, the State emphasized that in no instance were long-term local freight services subsidies to be funded by State appropriations.[18]

The substantial changes in the subsidy program mandated by the passage of the 4R Act, expanding the duration of the local freight service subsidy program and including provisions for local passenger service subsidies and for purchase or rehabilitation of lines, had a relatively minor impact upon New Jersey's original policies. The State noted that the modifications necessary to conform to the provisions of the 4R Act tended only to create extensions or additions to the original policy framework established within the State rail plan.[19]

The State's View on Possible Alternatives to Subsidies

In its December 9, 1975 report, New Jersey described and discussed three alternatives to rail service discontinuance: subsidy, acquisition, and independent operations. Each possibility was weighed with regard to the individual merits and potential problems. (See pp. 5.1–5.11 of the New Jersey State Rail Plan, Phase II).

The State then proposed ten possible courses of action that reflected various combinations of the three alternatives:

State Purchase—Subsidized Conrail Operation
State Purchase—Operation Leased to Connecting Carrier
Subsidized Three—Party Agreement
State-Funded Rehabilitation Grants
State Purchases—Lease to Short-Line Operator
Private Purchase—Short-Line Operation
Shippers Association or Regional Authorities
Railbank for Future Rail Use
Landbank for Alternate Public Use
No State Initiatives[20]

These possible courses of action were then developed and investigated for each of the lines for both freight and passenger services.

The passage of the 4R Act had an immediate impact upon the State's proposed alternatives. The August 1, 1976, Phase II Amendment Report, stated:

The expanded flexibility * * * (provided by the 4R Act) * * * reinforced the Department's policy of not providing long-term subsidization of local freight transportation. At the same time, however, the flexibility to protect certain passenger services also provided for a reduction in the total costs for any responsible interested persons wishing to provide the required subsidy payment for continued freight services (i.e., trackage rights, fees and maintenance costs would be substantially reduced through State ownership and operation of rail passenger operations).

The same increased flexibility which provided for the inclusion or rail passenger projects in the Title IV Assistance Program, also provided for the implementation of less costly alternative projects as opposed to that of providing direct rail freight service, (e.g., team track facilities service road improvements, terminal construction, etc.). As a consequence of the increased scope of potential rail improvements, many new projects were developed which required a comparative evaluation against the relatively few, orginally proposed freight service continuation subsidy proposals.[21]

Lines To Be Subsidized

In selecting rail lines to receive Federal/State assistance monies, the NJ DOT considered the stated goals and objectives of the State Rail Plan. Each objective was assigned a priority measure as shown in Table 1. Utilizing this priority system, the State then evaluated each of the 19 USRA line segments identified as eligible to receive a Federal/State subsidy based on "both passenger and freight aspects of each line segment * * *" The relative weight assigned to each line by objective is reflected in Table 2. The numerical ratings of each line were then totaled and a line priority system established. The relative order of ranking for the 19 lines is shown in Table 3.

By a letter dated March 24, 1976, the State of New Jersey requested that the RSPO evaluate 5 of these 23 line segments. These lines are identified in Table 3.

[15] New Jersey Department of Transportation, The New Jersey State Rail Plan for Rail Transportation and Local Rail Services, Phase II (Trenton, December 9, 1975), pp. 5.6–5.8.
[16] *Ibid.*, p. 6.5.
[17] *Phase II, op. cit.*, p. 6.8.
[18] *Phase II, op. cit.*, p. 6.8.
[19] New Jersey Department of Transportation, Amendment to the New Jersey State Rail Plan for Rail Transportation and Local Rail Services, Phase II (Trenton: August 1, 1976), p. 3.1.
[20] Phase II, op. cit., pp. 5.12–5.15.
[21] Amendment, Phase II, op. cit., p. 3.3.
[22] Amendment, Phase II, op, cit., p. 3.6.

TABLE 2.—*Branch line priority values*

USRA line No.	Branch line	Energy	Pollution	Goals and objectives				
				Efficient systems	Economic growth	Passenger transport	Federal aid	Public well-being
119	Kingston Branch	3	2	1	8	1	10	1
121	Belvidere-Delaware Branch	4	1	1	2	4	10	1
121a	do	3	2	3	8	4	10	1
123/124/124a	Freehold Secondary track	5	2	6	8	7	10	1
127/128	Union Transportation Co	4	1	3	1	1	10	1
130	Medford Branch	4	1	7	1	1	10	1
703	Princeton Branch	10	2	6	1	10	10	1
1102	New Bay bridge	1	1	1	1	10	10	1
1103	South Branch	3	1	3	1	1	10	1
1104	Freehold and Atlantic Highlands Branch	3	1	3	1	7	10	1
1105	New York and Long Branch RR	8	3	10	7	10	10	1
1106	Toms River and Barnegat Branch	3	1	1	1	1	10	1
1107	High Bridge Branch	5	1	1	8	1	10	1
1204	Gladstone Branch	3	3	6	1	10	10	1
1206	Orange Branch	8	1	10	7	7	10	1
1207	Caldwell Branch	1	1	7	1	7	10	1
1800	Pleasantville Secondary track	4	1	3	2	1	10	1
1807	Camden-Atlantic City Main Line	10	1	1	2	10	10	1
1808	Ocean City Branch	10	1	3	1	10	10	1

Source: New Jersey Department of Transportation, The New Jersey State Rail Plan for Transportation and Local Rail Services, Phase II (Trenton, Dec. 9, 1975), p. 6.6

TABLE 3.—*Ranking of the value of specific rail services to the State of New Jersey*

Priority ranking	USRA ID No.	Project description
1	[1] 1105	New York & Long Branch RR.
2	[1] 1206	Orange Branch.
3	[1] 703	Princeton Branch.
4	123/124/124a	Freehold Secondary track.
5	1808	Ocean City Branch.
6	1807	Camden-Atlantic City Line.
7	[1] 1204	Gladstone Branch.
8	121a	Belvidere-Delaware Branch.
9	1207	Caldwell Branch.
10	130	Medford.
11	1104	Freehold Branch.
12	[1] 1107	High Bridge Branch.
13	119	Kingston Branch.
14	1102	Newark Bay bridge.
15	121	Belvidere-Delaware Branch.
16	1800	Pleasantville secondary.
17	127/128	Union Transportation Co.
18	1103	South Branch.
19	1106	Toms River and Barnegat Branch.

[1] Included in request for RSPO evaluation.

Source: New Jersey Department of Transportation, Amendment to the New Jersey State Rail Plan for Rail Transportation and Local Rail Services, phase II, p. 3.5.

RESULTS OF THE RSPO EVALUATIONS

The remainder of this summary consists of a discussion of the results of RSPO's in-depth evaluations of the 5 New Jersey lines. Full evaluations of the individual lines will be published separately at a later date. Included in the present discussion are summaries of the evaluations of each of the lines and of the actions which may be necessary to make the lines economical. The Office has found that there are many actions which could be applied to all of the lines; therefore, this discussion will first analyze those actions capable of general application. It will then briefly discuss the lines on an individual basis, identifying the lines, some of their specific problems, and the actions best-suited to dealing with those problems.

ACTIONS WHICH MAY BE NECESSARY FOR ALL LINES STUDIED

For purposes of this report, the courses of action which may be pursued in attempting to make the operation of the 5 lines economical have been divided into five categories: subsidization by the public sector; increased railroad revenue and/or traffic; decreased railroad costs; acquisition by other railroads and/or government entities; and economic development programs. Each of the alternatives has certain advantages and disadvantages, and it must be recognized that there is no single "magic" formula for success. Obviously, these strategies are not mutually exclusive, and the particular combination which will prove most successful can best be determined only after an extensive examination of the many factors affecting traffic and market potentials. The ultimate choice among strategies may vary with the line segment and may be determined by political imperatives as well as the demands of economic efficiency.

Subsidization by the public sector. Direct subsidization by the public sector is often advanced as the single best alternative to abandonment of light-density lines. Proponents of this viewpoint cite the provisions of the RRR Act which imply that, if it is in the public interest to continue rail services that are not financially viable in the private sector, the public must be willing to assume at least partial financial responsibility for the losses incurred.

Section 402(a)(1) of the Act provides financial assistance "* * * in the provision of rail service continuation payments, the acquisition of modernization of rail properties, including the preservation of rights-of-way for future rail service, the construction or improvement of facilities necessary to accommodate the transportation of freight previously moved by rail service, and the cost of operating and maintaining rail service facilities such as yards, shops, docks or other facilities useful in facilitating and maintaining main-line or local rail service."[2] The Act provides a detailed procedure for the determination of rail service continuation payments; however, from the language of section 402 and from the funding provisions of the Act, as amended by the RRRR Act, it is clear that a service continuation subsidy is to be viewed as a short-term transitional measure and not as a permanent solution to the problem of a light-density line.

There are numerous alternatives to rail service continuation payments which could be employed. However, before discussing these alternatives, it is necessary to discuss the question of rehabilitation of the lines. The Office has concluded from its study that, in almost all cases studied, unless the individual lines are rehabilitated to at least FRA Class I standards, implementation of any other courses of action will not prove sufficient to make the lines economical. In some cases, lines which could ordinarily be served easily in one day require two days because the trains must literally creep across the tracks. It is doubtful that any combination of incentives will serve to increase traffic over such lines as long as their condition, and consequently, their service, continues to deteriorate. Conversely, the rehabilitation of these lines will contribute to an immediate reduction in operating costs, and the improved service over the line should, hopefully, produce an increase in shipments. Furthermore, once a line is rehabilitated it will be more attractive to potential rail patrons and others, including railroads, which at present are not interested in either acquiring or operating it.

Among the alternatives to rail service continuation payments would be a direct payment of an operating subsidy to cover some specific portion of the branch line costs, e.g., maintenance or operating costs. Another form would be a general subsidy based on factors such as anticipated traffic volume. Such a subsidy could be variable, e.g., the amount of the subsidy could vary with the volume of traffic, or the profit, or any specified condition. One major problem is that with existing branch line data problems, it would be very difficult to determine the exact amount of subsidy needed. A reliable technique for estimating future demands for market conditions for each firm on the line is mandatory.

An indirect form of subsidy which could be employed is a user tax applied to other modes serving the area, with the resultant revenues either helping the branch line or being used for other economic stimulus in the area. The main

[2] 45 U.S.C. 762.

problem with this form of subsidy is that the basic costs of transportation to area firms might effectively eliminate them from more distant markets, and in effect, cause a downturn in their overall business.

Another form of subsidy to be considered is a payment by the State or local authority to rail users for increased rail use, which would be the same as a rate reduction to shippers and consignees.

The amount of the subsidy could be determined by how responsive the demand for rail services was to the reduction in rates. If the subsidy were paid for terminating as well as originating traffic, it would provide a direct incentive to induce consignees as well as shippers to use rail. A word of caution, however, is warranted. An incentive to compensate for any imbalances found between inbound and outbound traffic would have to be devised to insure the success of a subsidy program.

It should be stressed that a complete understanding of traffic flows, rates, and comparative system costs is necessary prior to the implementation of any of the subsidy alternatives discussed in this Report. Rail patron responses provide little basis for judging the likely success (or cost) of different subsidy alternatives. Information must be obtained through a detailed review of the transportation requirements and market potential for each of the firms on the line to be subsidized.

Many shippers or consignees will not use rail service unless the service is improved over its current levels of operation, which means an increase in costs, both in operations and maintenance. The State or local authority could grant a subsidy either to a carrier or to the firms using the rail service, with the necessary revenues provided by the users as a supplemental charge which would cover both operating and capital losses of the branch line. This form of exchange would avoid any subsidy and place the burden of maintaining the service on the beneficiaries. In fact, the objections of an indirect charge from other modes would be eliminated; however, the result might well be the same, an eventual loss of business and rail traffic to other modes because of the higher effective costs of using rail service.

Another alternative to direct payment of a specific subsidy would be some form of tax forgiveness by the State and/or local communities and counties. No property taxes are presently assessed on operating railroads by municipalities in New Jersey; however, tax forgiveness for rail patrons on the basis of rail usage is a possibility which might be considered. Tax relief programs used in conjunction with other techniques would further reduce the apparent cost of supporting rail operations, e.g., tax relief could reduce the reported breakeven operating cost and thereby reduce any subsidy payments. A rate increase, in conjunction with tax relief could also be employed. Another combination would be to increase traffic volume in conjunction with tax relief so that the breakeven point could be reached. However, it must be pointed out that the difference between tax relief and explicit subsidy is more illusory than real. If county taxes are forgiven, either the burden must be borne by other business and residents in the county, or county services will have to be reduced. Essentially, this is also true on the State level.

The local or State government could assist branch line operations with a variety of other capital subsidy programs used separately or together with operating subsidies or tax relief. Such programs could involve grants for line rehabilitation and repair; the purchase of equipment; interest rate subsidies; or loan guarantees. The latter two types of support are longer range in nature and might be expected to have little immediate effects on branch line continuance; however, if offered in cooperation with other types of State aid, they might prove attractive.

Increased railroad revenue and/or traffic. All possibilities which might result in increasing the revenues generated by the lines should be explored. The adoption of one or more of the following actions on each line could help to accomplish this objective:

(1) A restructuring of freight rates on traffic on the branches is neseccary.[24] Based upon the ability of users and consumers to stand the burden, freight rates need to be increased. An examination of the users surveyed by the RSPO Teams found that on many of the lines the increased costs to the users which would result from a rate increase on most traffic was small, i.e., transportation costs do not comprise a large share of the total costs of products shipped.

(2) The effects of reducing rates should also be explored. In some instances, such a reduction might result in more revenues through increased traffic than would an increase in rates, which could have the effect of reducing traffic.

(3) A surcharge could be placed on all shipments, either on a per-unit basis or on the basis of an absolute charge per rail patron.

(4) Rail patrons and the railroad could engage in cooperative activities designed to increase business. For example, one line services an area where boats are sold, service and manufactured. The finished product does not normally move either inbound or outbound by rail at the present time; shippers, receivers and the railroad could work together in an attempt to develop a rail car to move larger boats.

(5) Users of a line could agree to guarantee to generate a specific amount of tonnage per year. Agreements for such "loyalty" shipments should include a scale to adjust for future cost changes.

(6) The State should explore the possibility of taking an active role in rate negotiations, either through trying to help a branch line obtain a larger share of existing revenues or through encouraging shipper routings that would result in the operating carrier receiving a longer haul.

(7) Local industries should be encouraged to use the branch line, even if it means shifting tonnage from a perferred mode.

(8) An industrial development program designed to bring about a greater diversification of traffic on the lines should be pursued.

(9) The use of team tracks should also be encouraged.

Reductions in railroad costs. All possibilities for reducing costs of operations on the lines should be explored. The following actions should be considered:

(1) Meetings should be held with the operating railroads, organized labor, and other interested parties to examine whether special labor agreements may be negotiated which might result in lower operating costs and greater productivity in the service of the branch lines. Among the things to be considered would be: crew size reductions; local operating/work rule modifications; and crew assignments on main-line and yard terminal operations. The parties should also explore ways in which costs could be reduced by such actions as sharing clerical responsibilities.

(2) The State could assume responsibility for vegetation control programs near highway crossings; maintenance of highway grade crossings; installation of highway crossing protection; and other high maintenance cost items. Individual communities, with or without State assistance, could assume shared responsibility for such programs. The State could also arrange for a reduction of highway grade crossings.

(3) The State, the operating railroads and interested parties should also seek to arrange for those levels of service over a line which would encourage rail usage.

ACQUISITIONS BY OTHER RAILROADS AND/OR GOVERNMENT ENTITIES

The concept of State-owned railroads is neither a new nor novel approach. The States of Georgia, North Carolina and Vermont have owned and leased rail lines for many years.[25] Many individuals expect more States to adopt this course in the future; however, the long-term financial commitments involved in this approach may not be universally ap-

[24] Railroad rates are set in a complex way with many factors given consideration that frequently result in charges for particular shipments having little relationship to the cost of transporting the commodities moved. In addition, once negotiated, the rate levels, as well as the specific rate, are difficult to change. It is imperative that a systems approach be utilized in examination of the reasonableness of the level of rates for the specific branch lines. In many cases, the cross subsidization of rates by previous rail carrier managements may have been utilized to accomplish a completely different set of goals, with a different operating configuration, than those of the present rail operations.

[25] William R. Black and James F. Runke, The State and Rural Rail Preservation; Alternative Strategies, (Lexington: The Council of State Governments, October, 1975), pp. 61–622.

pealing. New Jersey has already purchased several lines, and it should consider purchasing some of the other lines in order to continue needed rail service.

In considering whether to purchase a line, a State must consider the purchase price and the rent to be paid to the State for use of the line. The salvage value of the line, assuming abandonment, should be the upper limit of its purchase price; rent should be based on the taffic volume generated. Any difference between the rental costs and the cost of maintaining the line and the return the State could have earned on the funds (through other projects), in effect would represent the subsidy for the operation of the branch line.

After purchasing a line the State could lease the line to a rail carrier for a specified level of service. This procedure would assure service in instances where the railroad was uncertain about the duration of operating assistance from a State or had failed to adequately forecast future traffic levels. The State may wish to take an equity position in the case of several branch lines to improve its bargaining position in negotiations with rail carrier management with respect to service levels on other branch lines. It is important to recognize that unless a State purchase/least-back or purchase/contract for services allows a savings on the maintenance or rehabilitation costs of a line, there is little to recommend it. In other words, a truly uneconomic line will not change its performance as a result of a change in ownership.

If a State purchased a line and contracted for services, it would be in the transportation business and have a direct role in the determination of freight rates over its portion of the lines. Such an arangement could be handled in two ways: the State could contract with ConRail or another carrier for a specified level of service on the branch line and in turn, sell that service to users; or the State could publish a set of tariffs and negotiate the division of revenue as well as the price that ConRail or another carrier could charge for providing service over the branch line.

Another alternative to maintain rail service would be ownership by groups of local shippers, employees, or other rail carriers. Under such an arrangement, the owners might lease the line to Conrail or some other carrier and contract for desired service levels. The local group might also decide to operate the branch line as a shortline railroad; however, it must be recognized that the assumption behind all such proposals is that the new owners can operate the line at lower cost or generate more traffic revenues than the prior rail management. In these types of proposals, lower costs are expected to result from "improved" labor conditions and the use of different techniques for maintenance and operation. Some shortlines have operated with less restrictive labor rules, but unless better service levels result, it cannot be assumed that local businesses, even with a financial interest in the railroad, will assure greater freight revenues and profits. Short line revenues, to a large extent, depend upon the rate divisions or freight absorption worked out with the main line carriers, and the feasibility of such ownership proposals must be examined with care. There is an advantage in placing the responsibility and control in the charge of those who benefit most directly from the preservation of the service. However, it must be realized that in many cases these are small businesses and their management simply may not be capable of running their business and a railroad at the same time. It is suggested that the State might have to play a significant role in freight rate negotiations and be ready with a subsidy if the operation fails. Such failure would obviously reflect on the financial viability of the owners of the branch line and could result in the failure of the firms involved and economic catastrophe for the entire region.

It should be noted that the State may use Federal funds under the RRR Act, as amended, to purchase the lines or to provide for their operation and rehabilitation to FRA Class I standards through accelerated maintenance. The State cannot do both. In other words, once a State uses the funds to purchase a line, it can no longer receive Federal funds for the operation or the rehabilitation of that line. Therefore, it would be to the State's advantage, whenever it decides that it wants to acquire a line, to postpone acquisition until the line has been rehabilitated.

It should also be noted that in some cases, it may prove cheaper in the long run for a State to rehabilitate the line and actually give that line to a profitable railroad, than for the State to continue to participate in paying for subsidized operations over that line.

One other alternative that should be considered by the State is the preservation of rights-of-way. If a decision is made with regard to a particular line that no combination of actions can reasonably be expected to make operation of the line economical, a decision must be made as to whether the line should be preserved for the future. There may be quite distinct interests in the preservation of a right-of-way and the preservation of operations over it. Even if a right-of-way has little present potential, its dismantling could have a serious future impact on the area in which it is located. Furthermore, as energy costs increase in the future, motor carriers may lose their competitive advantage in serving industries located on some of the light-density lines, and many of the costs and service disadvantages of these lines may decline.

Economic development programs to attract rail-dependent industries. Every possible effort should be expended to attract rail-dependent industries to light-density lines. Essential to the achievement of such a goal is the rehabilitation of the lines, since new industries will not even consider locating on a line which is not up to at least FRA Class I standards. Even when a line is in good condition, however, the competition to attract industries is extreme.[26] As David Richmond, the Economic Development Director of the Columbus Area Chamber of Commerce (Indiana) pointed out, "While some 3,500 new industrial plants are built each year, 16,000 development groups are at work trying to lure them."[27] It should also be recognized that while available rail transportation is an important criterion in site selection, it is only one of many and in a number of cases is actually the least important. In discussing the U.S. Steel Corporation's decision to locate a major steel mill in Conneaut, Ohio, Eliot Janeway made the following observation:

> • • • The consideration that stamps Conneaut, Ohio as a growth center of the future is neither accidental nor whimsical.
>
> Conneaut will be a major steel mill center because it already is a minor water shipping point. The day has long since passed when cheap rail transportation costs invited major industrial facilities to locate inland.
>
> Nowadays the pressure to cut the cost of handling basic bulk materials dictates the choice of coastal sites for major industrial facilities.[28]

It should be further noted that some of the methods listed earlier that could be employed to keep an excluded line in service, such as a rail patron surcharge, may discourage new industries from locating on that line. All other factors being equal, a decision by a prospective rail user to locate on a rail line excluded from Conrail generally involves a much higher risk than a similar decision to locate on a profitable railroad.

---

[26] The recent establishment of a Volkswagen "Rabbit" assembly plant at New Stanton, Pennsylvania, is a classic example of the lengths to which development groups will go to secure industries. The reported initial package of incentives offered Volkswagen included the following:

The company would be exempted from franchise and realty transfer taxes.

The Pennsylvania Industrial Development Authority would grant a $40 million loan to buy an unused Chrysler Corporation plant for the auto firm to lease.

The State would spend $30 million on highway and rail links to the plant.

The State would waive 95 percent of local taxes the first two years and 50 percent the following two years.

The State would arrange for employee training.

The State would provide a $135 million tooling loan (Volkswagen decided later to do its own financing on this proposal when negotiations with Pennsylvania became snagged).

Source: "Rabbits In the Cabbage Patch", The Wall Street Journal, Vol. CLXXXVIII, No. 6, August 17, 1976, p. 18; "GOP Study Queries VW Plant Figures", The Washington Star, No. 257, October 1, 1976, p. C–6; Terry P. Brown, "VW Delays Start-Up Date At Its Facility in New Stanton; Parts Problems Develop", The Wall Street Journal, Vol. CLXXXVIII, No. 68, October 6, 1976, p. 2.

[27] David Richmond, "Americans Battle for Industry", The Republic, June 18, 1976, p. A–1.

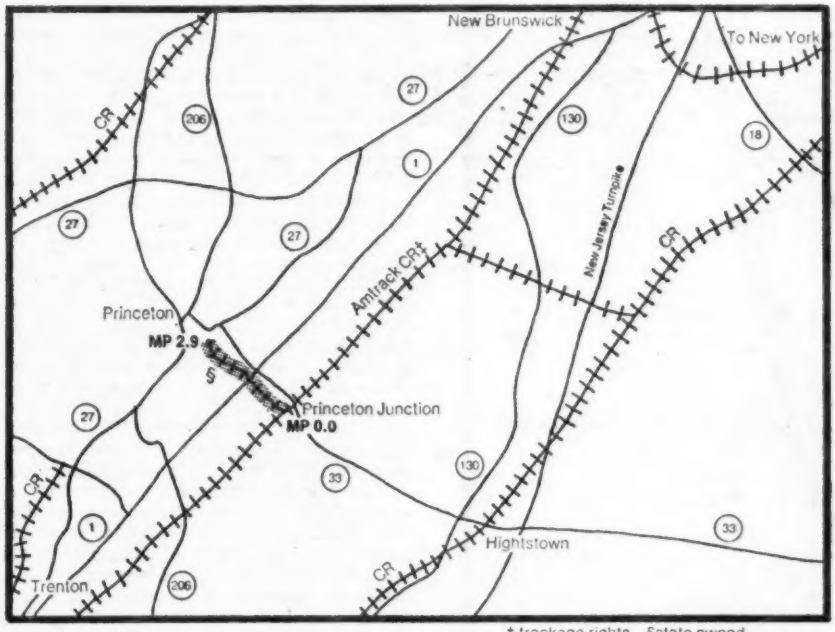
[28] Eliot Janeway, "U.S. Steel Bets Against Inflation," The Washington Star, July 7, 1976, p. A–19.

LINE-BY-LINE ANALYSIS

New Jersey requested RSPO to analyze freight service on USRA Lines Nos. 703, 1105, 1107, 1204 and 1206. Three of these lines (Nos. 703, 1105 and 1204) have passenger services operated over them; however New Jersey only requested RSPO to analyze the passenger operations on one of the lines, USRA Line No. 703, the Princeton Branch.

USRA Line No. 703: Princeton Branch. The Princeton Branch, formerly part of the Penn Central, extends northeasterly from Princeton Junction (milepost 0.0) to Princeton (milepost 2.9), a distance of 2.9 miles. The State of New Jersey requested the RSPO to analyze both freight and passenger service on the line. The branch, which is electrified, connects with Amtrak's Washington to New York mainline. The State has purchased this branch, and it is being operated under subsidy by Conrail. The branch lies wholly within Mercer County.

Figure 1: USRA Line No. 703



‡ trackage rights §state owned, operated under subsidy

The branch provides service to an area of New Jersey which has a very diversified economy. The line lies entirely within the Trenton SMSA; however, it is far enough distant from the highly-industralized sections of the area to be relatively unaffected by them.

The available data indicates that Mercer County has been growing steadily but slowly. It has a balanced and diversified manufacturing sector, which is expanding, and an intensive agricultural sector, which, though small, is still economically significant. The small towns throughout the County also provide elements of economic stability and growth.

It should be noted that several major educational institutions, including Princeton University, the Institute for Advanced Study and Trenton State College are located within the County. Princeton, the principal town on the line, is a typical university center, with its primary, and much of its secondary, employment generated by educational institutions.

The State of New Jersey, the New Jersey State Chamber of Commerce, local rail patrons, and information received from the Penn Central during the rail restructuring in 1974 provided the RSPO Project Team with a list of 12 establishments that were alleged to have used the Princeton Branch at one time or another. One of these establishments was not interviewed because of the type of service rendered. The remaining 11 were judged capable of generating carload business and were interviewed by the RSPO Project Team. The other businesses in the service area are almost exclusively small commercial and retail establishments that rely entirely on motor carriers to handle their predominantly small shipments.

Of the 11 firms interviewed, one had never used rail service and has no intention of using it in the future. Six indicated that, although they had used rail service previously, they had no intention of using it in the future. Two firms indicated that, although they had not utilized rail service in the past, they have the potential of using it in the future. The remaining two firms indicated that they had utilized rail service in 1976. However, at the time of the RSPO Project Team interviews, freight service was not being provided on the line.

The line serves as a local passenger service link between Princeton and the Amtrak mainline. NJDOT estimates that the branch is used daily by 1,000 passengers. For this reason, the State elected to purchase the line under the provisions of section 206(c)(1)(D) of the RRR Act, as amended. However, the State has not made a commitment to the long-term subsidization of passenger service on this line.

No cost/revenue profile currently exists for freight operations over the Princeton Branch. The only cost/revenue profile for passenger operations is based on a January 26, 1977 subsidy estimate supplied by Conrail, which covers the period from September 28, 1976 through December 31, 1976. This estimate indicates that, based on revenues of $15,000, the line would incur an operating deficit of $83,000.

SPECIFIC RECOMMENDATIONS

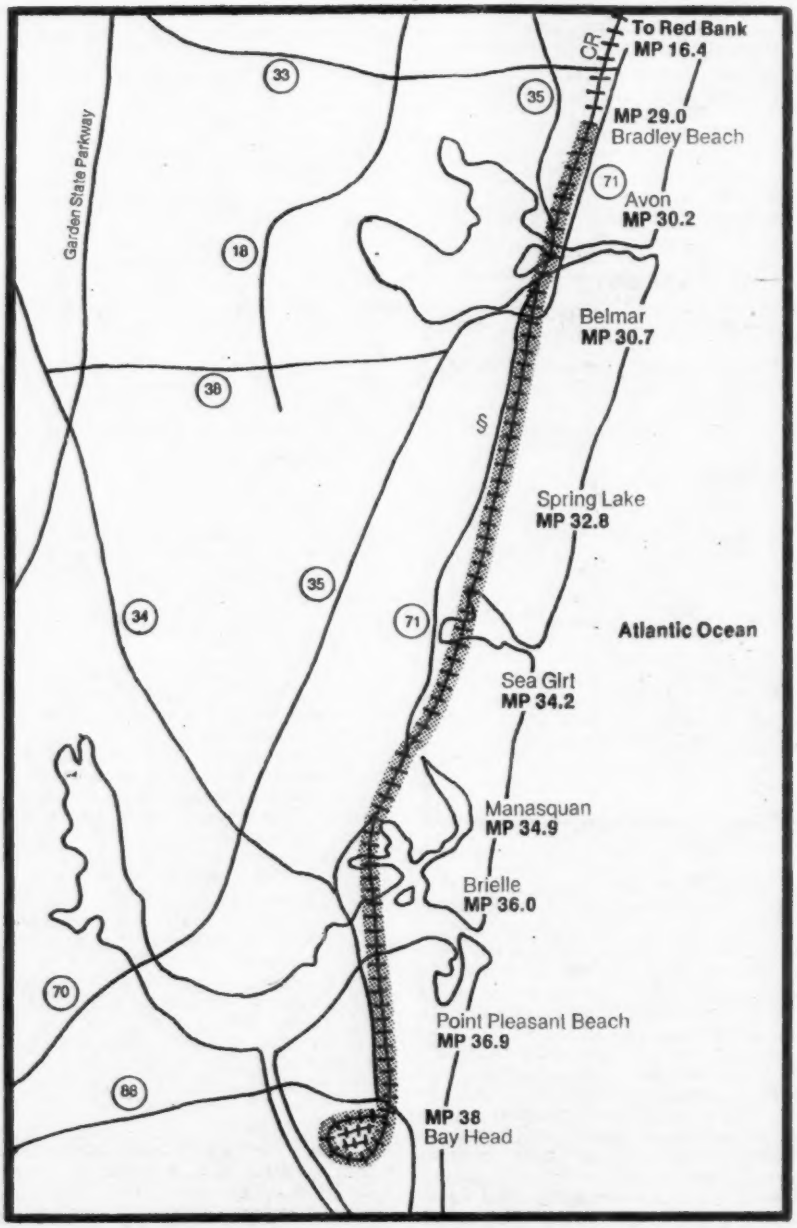
In order to reduce the cost and/or increase the revenue which result from operation of passenger service on this line, the following courses of action should be considered:

Reduce the scheduled service
Reduce the crew size
Increase the passenger fares

USRA Line No. 1105: The New York and Long Branch Railroad. This line, which was formerly part of the New York and Long Branch Railroad, has been purchased by the State of New Jersey and is being operated under subsidy by Conrail. The line extends south from Perth Amboy (milepost 16.4) through Bradley Beach (milepost 29.0), Avon (milepost 30.0), Belmar (milepost 30.7), Spring Lake (milepost 32.8), Sea Girt (milepost 34.2), Manasquan (milepost 34.9), Brielle (milepost 36.0), and Point Pleasant Beach (milepost 36.9) to Bay Head Junction (milepost 38.0). The State of New Jersey requested the RSPO to analyze the freight service on the line from Bradley Beach (milepost 29.0) to Bay Head Junction (milepost 38.0), a distance of nine miles. This portion of the line is located in both Monmouth and Ocean Counties.

This line serves an area of the State which consists almost totally of ocean-side lands. The area varies from flat lands to swamp lands and has limited agricultural activity. Most of the commercial activity along the line is centered in the ocean-side resort towns which it serves. Most of the line is located within the Long Branch-Ashbury Park SMSA, except for a short portion extending into Ocean County to the south of the SMSA. The line lies entirely within the urbanized area which extends along the coast southward from New York and Newark.

Figure 2: USRA Line No. 1105



§state owned.
operated under subsidy

Both Ocean and Monmouth Counties are experiencing rapid development. Both Counties have experienced significant increases in population during the past two decades; both have shown some growth in manufacturing; and both have strong and healthy retail trade and service sectors. Given the pattern of urban expansion along the eastern seaboard, it can be expected that these patterns will continue in the near future.

The towns along the line are all similar. They are basically residential communities with most of their employment oriented toward serving the residential population. Manufacturing and agriculture play a relatively minor role in the overall economic picture. This situation is not likely to change in the next few years.

The State of New Jersey, the New Jersey State Chamber of Commerce, local rail patrons and information received from the Penn Central and the Central Railroad of New Jersey during the rail restructuring in 1974 provided the RSPO Project Team with a list of 39 firms that were alleged to have used the Bradley Beach to Bay Head Junction portion of the line. Of these 39 firms, 18 were active rail users; 11 had never used rail service and had no plans to use it in the future; eight had used rail service in the past but had no plans to use it in the future; one had plans to return to using rail service in the immediate future; and one firm that had used rail service in the past stated that it was unsure as to whether it would use it in the future. Among the 39 firms interviewed by the RSPO Project Team, ten were engaged in the sale, service or construction of boats. The remaining businesses in the towns along the line are almost exclusively small commercial and retail establishments that rely entirely on motor carriers to handle their predominantly small shipments.

Of the 18 active rail users interviewed, 12 firms generated full carloads of freight, and, of the remaining six firms, two or more occasionally have shared a full carload of inbound freight. Eight of these firms have no plans for expansion; five are planning normal growth; and three are planning expansions. One firm is planning to reduce the size of its operation; one other declined to answer any questions. All current users are either retail or wholesale establishments.

The primary function of this line is to serve as an important link in the New Jersey commuter rail system which serves the New York commercial area. For this reason, the State elected to purchase this portion of the line under the provisions of section 206(c)(1)(D) of the FRR Act, as amended. The land abutting the line is primarily devoted to small retail or wholesale businesses, highway corridors or residential areas. Thus, the potential for significant increases in rail freight patronage from new businesses locating along the line is very limited. Indeed, the RSPO Project Team found no evidence of industrial planning or development along the portion of the line under study; however, it did find evidence of a desire to preserve the existing pattern of land use.

For the months of May through October, 1976, actual freight train operations over the line segment produced a positive net result of $39,316; however, no charge for the cost of maintenance of way on the line was included in the calculation of this figure. For ten months of operation (April through January) the line generated 326 carloads of freight; on an annualized basis, this indicates that traffic levels have fallen to 84.3 percent of 1973 levels.

SPECIFIC RECOMMENDATIONS

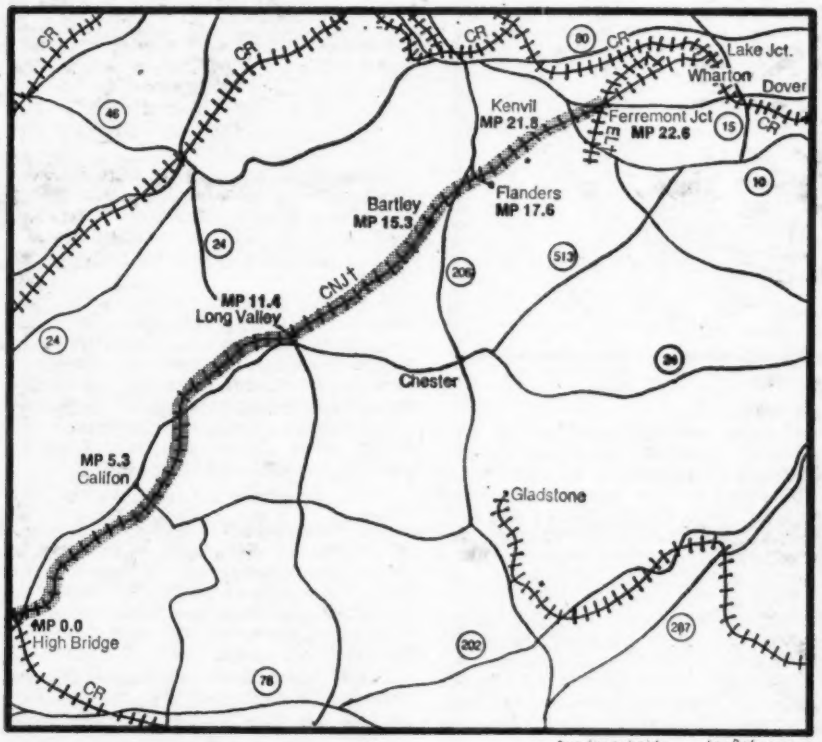
The team tracks on this line should be upgraded and their use promoted to enhance their attractiveness to current and potential rail users.

The feasibility of developing a new type of rail car to move boats into and out of the area served by the line should be explored.

Consideration should be given to the elimination of some of the numerous vehicular crossings at grade.

USRA Line No. 1107: High Bridge Branch. The High Bridge Branch, formerly part of the Central Railroad of New Jersey, extends from High Bridge (milepost 0.0) through Califon (milepost 5.3), Long Valley (milepost 11.4), Bartley (milepost 15.6), Flanders (milepost 17.6), Kenvil (milepost 21.8), and Ferremont Junction (milepost 22.6) to Rockaway (milepost 32.2). The State of New Jersey requested the RSPO to analyze only that portion of the line that extends from High Bridge to Ferremont Junction, a distance of 22.6 miles. The 7.3 mile segment of the line between Bartley and Ferremont Junction is presently being operated by Conrail under subsidy; the remainder of the line is out of service. The line is located in both Hunterdon and Morris Counties. At High Bridge, the line connects with Conrail line from Phillipsburg to Elizabethport. At Ferremont Junction the High Bridge Branch crosses the former Erie Lackawanna Chester Branch, which is currently out of service.

Figure 3: USRA Line No. 1107



*under subsidy †out of service

The High Bridge Branch provides service to the northwestern portion of the State of New Jersey. This area is primarily agricultural, producing significant amounts of field crops, including large quantities of corn and dairy products. The area is mountainous, and the line runs parallel to the mountains. There is some urbanization near the northern terminus of the line. Most of the towns in the area are basically trade centers, servicing the surrounding agricultural areas. The northern two-thirds of the line is located within Morris County and the remaining one-third is located within Hunterdon County. According to the 1960 and 1970 census, both Hunterdon and Morris Counties have shown strong increases in population over the last two decades. As of 1970, 82.4 percent of Morris County's population was classified as urban. In both Counties, manufacturing plays a major role in providing employment in the non-agricultural sector. Athough Morris County has become industrialized over the last two decades, Hunterdon County remains primarily agricultural in character.

The State of New Jersey, the New Jersey State Chamber of Commerce, the Morris County Board of Public Transportation, local rail patrons, and information received from the Erie Lackawana Railroad during the rail restructuring in 1974 provided the RSPO Project Team with a list of 15 firms which were alleged to have used the line. Of these firms, one could not be located and was unknown to local rail patrons and three were not located on the line. The remaining 11 firms were judged capable of generating carload traffic on the line and were interviewed by the RSPO Project Team. The other businesses in the towns along the line are almost exclusively small commercial or retail establishments that rely entirely on motor carriers to handle their predominantly small shipments.

Of the 11 firms interviewed, three indicated that they had utilized the line in the past but had no intention of using it in the future; three indicated that they had patronized the line previously and might utilize it in the future; one firm that had utilizied the line in the past was unsure whether it would use it in the future; one firm had never used the service on the line; and one firm that formerly used the line now uses the team track facility at High Bridge. The remaining two firms were active rail patrons, and one of them was undergoing an expansion.

It should be noted that Sears Roebuck and Company has partially developed a site for a proposed distribution center at Bartley; however, to date, no actual construction has started.

Carload statistics applicable to the High Bridge Branch indicate that the line has a limited number of patrons; that its traffic volume is declining; that the line generates primarily terminating traffic; and that average line revenues were lower than Erie Lackawana system averages.

For the two months of September and October, 1976, actual train operation over the northern 7.3 miles of the line generated a nominal positive contribution of $42; however, the cost of the return on the value of the property was not included in the calculation of this figure. During this same period, four carloads were generated; on an annualized basis, this indicates that traffic on the line has fallen by more than 60 percent since 1973.

SPECIFIC RECOMMENDATIONS

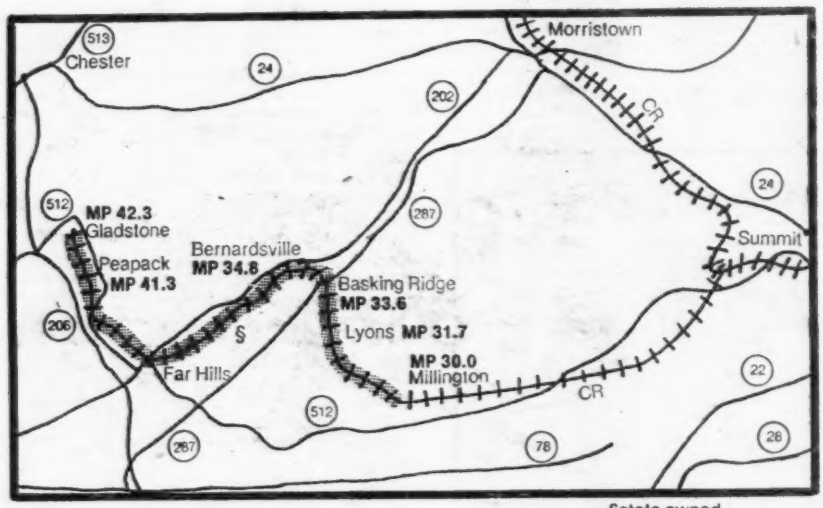
Since the segment of the line between High Bridge and Bartley has not been operated due to lack of demand, consideration should be given to the permanent abandonment of this 15.3 mile segment. Consideration should also be given to continuing service over the 7.3 mile segment between Bartley and Ferremont Junction for a reasonable time to allow the Sears, Roebuck Company to decide whether it is going to proceed with the development of its proposed distribution center.

Consideration should be given to improving and promoting the use of the team tracks at High Bridge and Wharton.

USRA Line No. 1204: The Gladstone Branch. The Gladstone Branch, formerly part of the Erie Lackawanna Railroad, extends westerly from Summit (milepost 20.1) through Millington (milepost 30.1), Lyons (milepost 31.7), Basking Ridge (milepost 33.6), Bernardsville (milepost 34.8), Far Hills (milepost 38.9) and Peapack (milepost 41.3) to Gladstone (milepost 42.3), a distance of 22.3 miles. That

portion of the branch from Summit to and including Millington is included in the ConRail system. The State of New Jersey requested that the RSPO analyze freight service on that portion of the branch that extends from Millington (milepost 30.1) to Gladstone (milepost 42.3), a distance of 12.2 miles. This segment has been purchased by the State and is being served by ConRail under the subsidy program. This portion of the line is electrified, and there are numerous commuter trains operated over it. Although most of this portion of the line is located in Somerset County, a short segment also extends into Morris County near Millington. The branch connects with the ConRail system at Summit.

Figure 4: USRA Line No. 1204



§state owned.
operated under subsidy

This branch serves an area of the State that has a mixed agricultural and industrial economy. Farms in the area produce a wide variety of products, including truck crops and field corn, but the dominant agricultural activity is dairy farming. The smaller towns in Somerset County serve mainly as trade and commercial centers for the surrounding agricultural area. The County is located in the southwestern section of the Newark SMSA and has some industrial activity. However, the County is becoming increasingly urbanized, as indicated by the fact that 76.4 percent of its population in 1970 was classified as urban.

The economy of Somerset County is highly developed and has several large, capital-intensive industrial sectors which dominate overall employment. Relatively high levels of employment in tertiary industry indicate a level of diversification that should give the economy strength and stability. Of all New Jersey Counties, in 1970 only Bergen County had a higher median family income than did Somerset County. The 1970 Census data indicate that Somerset County has been growing significantly in both population and non-agricultural activity, while its agricultural sector has been diminishing in size. Of the towns along the branch line, only Bernardsville was of sufficient size to be listed and analyzed in the 1970 Census. (A detailed analysis of the economic characteristics of Morris County is contained in the analysis of USRA Line No. 1107, the High Bridge Branch.)

The State of New Jersey Department of Transportation, the New Jersey State Chamber of Commerce, local rail patrons and information received from the Erie Lackawanna Railroad during the rail restructuring in 1974 provided the RSPO Project Team with a list of 14 firms that were alleged to have used the Gladstone Branch. Of these 14 firms, six were not interviewed because of their size, the type of product they sold, or the service they rendered. The remaining eight firms were judged capable of generating carload business and were interviewed by the RSPO Project Team. The other businesses in these town are almost exclusively small commercial or retail establishments that rely entirely on motor carriers to handle their predominantly small shipments.

Of the eight firms interviewed, two indicated that they had patronized the line in the past but had no intention of using it in the future; one indicated that it had utilized the line previously but that future use would depend on a reduction in freight rates; one firm had closed its facility in 1974 as a result of economic conditions and was unsure of its potential for future rail use; and one firm had transferred its shipments to trucks but would consider reverting to rail if continued service was guaranteed and was dependable. The remaining three rail patrons were active users of the line. Of these three firms, one had no expansion plans, one anticipated a growth in sales, and one was contemplating increasing its storage capacity.

The primary function of this line is to serve as an important link in the New Jersey commuter rail system that serves the New York commercial area. For this reason, the State elected to purchase this portion of the Gladstone Branch under the provisions of section 206(c)(1)(D) of the RRR Act, as amended.

The land immediately adjacent to the line is primarily devoted to residential use. The RSPO Project Team found no evidence of industrial planning or development along the portion of the branch under study. The attitude expressed by a number of individuals in the local communities favored the preservation of existing patterns of land use.

Carload traffic statistics applicable to the Gladstone Branch indicate that the line has a limited number of patrons; that its traffic volume is declining; and that it generates primarily terminating traffic.

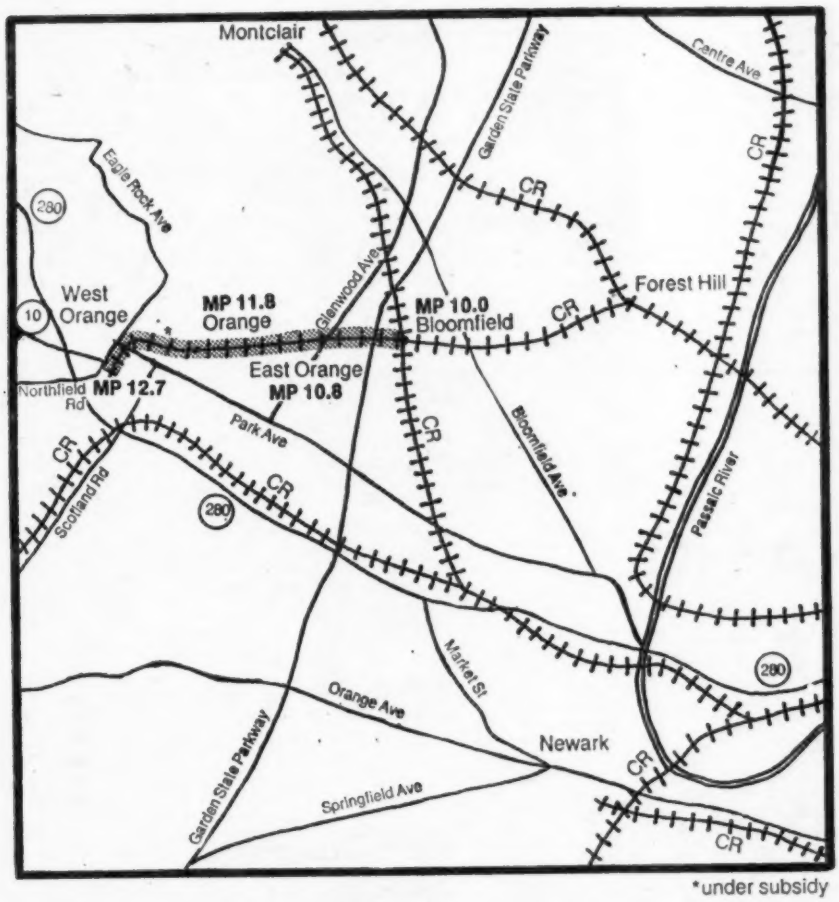
For the period May through October, 1976, actual freight operations over this portion of the line incurred a deficit of $3,198. For ten months of operation (April, 1976 through January, 1977) the line generated 22 carloads of traffic; on an annualized basis, this indicates that traffic levels on the line have fallen by more than 75 percent since 1973.

SPECIFIC RECOMMENDATIONS

Termination of freight service from Millington to Gladstone, a distance of 12.3 miles, should be considered, and the team tracks at Millington should be upgraded and their use promoted as an alternative source of rail service for current patrons of the line.

USRA Line No. 1206: The Orange Branch. The Orange Branch, formerly part of the Erie Lackawanna Railroad, extends westerly from Forest Hill (milepost 9.5) through Bloomfield (milepost 10.0), East Orange (milepost 10.8) and Orange (milepost 11.8) to West Orange (milepost 12.7), a distance of 3.2 miles. That portion of the branch from Forest Hill to and including Bloomfield is included in the ConRail system. The State of New Jersey requested the RSPO to analyze only that portion of the Orange Branch from Bloomfield to West Orange, a distance of 2.7 miles; this segment is presently being served by ConRail under the subsidy program. This portion of the line is located in Essex County. It crosses over ConRail's Montclair Branch at Bloomfield and connects at Forest Hill with ConRail's Great Neck to Hoboken line.

Figure 5: USRA Line No. 1206



*under subsidy

The Orange Branch provides service through a highly developed and highly industrialized area in Essex County; it is located in the extreme eastern portion of the Newark SMSA. The area has virtually no agricultural activity but has high levels of manufacturing production. The two cities which serve as the termini for this segment of the line, Bloomfield and West Orange, are highly developed and are indicative of the area served by the line. Both cities are of medium size and are relatively well-developed economically. Each has a strong manufacturing sector (the largest single employment category in the County) and a strong service sector. They also have well developed transportation and trade sectors.

The State of New Jersey, the New Jersey State Chamber of Commerce, local rail patrons and information received from Erie Lackawanna during the rail restructuring in 1974 provided the RSPO Project Team with a list of 42 firms that were alleged to have used this portion of the Orange Branch. Of these 42 firms, two were duplications; four were no longer in business; and two were not located on the line. Of the remaining 34 firms, all of which were contacted by the RSPO Project Team, 17 had never used rail service on the branch and had no intention of using it in the future; five had last used it eight to ten years ago and had no plans to use it in the future; and five were not presently using rail service but indicated that they might use it at some unspecified time in the future. The remaining seven firms were judged capable of generating carload business and were interviewed. All seven firms are active rail users. Of the seven, only one is considering future expansion of its facilities. The other businesses in the towns served by the line are almost exclusively small commercial and retail establishments that rely entirely on motor carriers to handle their predominantly small shipments.

For the period May through October, 1976, actual train operation over this portion of the Orange Branch generated a positive contribution of $21,158; however, the cost of the return on the value of the property was not included in the calculation of this figure. For ten months of operation (April, 1976 through January, 1977), the line generated 267 carloads of freight. On an annualized basis, this indicates that traffic levels on the line have risen to 117.2 percent of the 1973 level.

SPECIFIC RECOMMENDATION

Although the line appears to be viable at this time, consideration should be given to attempting to attract more rail-oriented business to the area served by the line.

[FR Doc.77-9563 Filed 3-30-77;8:45 am]